

VZCZCXYZ0001
OO RUEHWEB

DE RUEHFR #1334/01 0941610
ZNR UUUUU ZZH
O 041610Z APR 07
FM AMEMBASSY PARIS
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6213
INFO RUEHSS/OECD POSTS COLLECTIVE
RUEHEG/AMEMBASSY CAIRO 0973
RUEHBJ/AMEMBASSY BEIJING 1463
RUEHBR/AMEMBASSY BRASILIA 1849
RUEHNE/AMEMBASSY NEW DELHI 1092
RUEHML/AMEMBASSY MANILA 0240
RUEHMO/AMEMBASSY MOSCOW 5805
RUEHSA/AMEMBASSY PRETORIA 1290
RUEHRB/AMEMBASSY RABAT 1034
RUEHSG/AMEMBASSY SANTIAGO 0470
RUEHTV/AMEMBASSY TEL AVIV 0628
RUCNDT/USMISSION USUN NEW YORK 1200

UNCLAS PARIS 001334

SIPDIS

FROM USOECD PARIS

SENSITIVE - NOT FOR INTERNET DISTRIBUTION
SIPDIS

STATE FOR E, EEB, EUR, G, IO/S AND S/P, NSC FOR MCCORMICK

E.O. 12958:N/A

TAGS: [EAID](#) [ECON](#) [ETRD](#) [OECD](#)

SUBJECT: OECD: State of Play on Enlargement and Enhanced Engagement
- Approaching Time to Take Decisions

REF: (A) PARIS 1116 (B) PARIS 827 (C) PARIS 525 (D) PARIS 160

¶1. (SBU) Summary: As we approach the April ECSS and May Ministerial Council Meeting, elements of an OECD enlargement and enhanced engagement (EE) package are emerging. Members appear ready to bless opening accession negotiations with Chile and Israel, although some continue to express concerns about the latter's like-minded qualifications and Mideast regional sensitivities. A consensus also seems to be forming to invite Secretary General (SG) Gurria to initiate discussions with the BRICS -- Brazil, Russia, India, China, and South Africa -- with the goal of expanding the Organization's cooperation with those countries. One major question affects both enlargement and EE: should Russia be offered the accession or enhanced engagement track? The other outstanding issue is how to deal with the aspirations of the EU-8. And whatever decisions are taken on a final package will have financial implications: Members continue to debate how to cover the costs of enlargement and EE as well as ensuring the long-term financial sustainability of the Organization. The U.S. will need to be prepared to address each of these issues in the coming weeks during key discussions by the Council (April 12), the ECSS (April 19-20) and, eventually, the Ministerial (May 15-16). End Summary.

¶2. (SBU) SG Gurria continues to promote an enlargement and Enhanced Engagement (EE) package based on his informal paper, elements of which the Council has debated over the past three months (Reftels). This package would include opening discussions with five countries (Chile, Estonia, Israel, Russia and Slovenia) on accession, drawing closer to four other major emerging economies (Brazil, China, India and South Africa) via individual programs of Enhanced Engagement, and expanding OECD outreach to key countries in Africa, Asia, Latin America and the Mideast.

Chile and Israel

¶3. (SBU) Of the five countries named for accession in the SG's informal paper, OECD Members appear ready to bless initiation of accession discussions with Chile and Israel. Chile is almost universally regarded as prepared now to begin the accession process,

and some Members have called for putting Chile on a fast track. Regarding Israel, several delegations have in the past raised concerns about its like-mindedness, with questions about the inclusiveness of Israel's economy as well as about its human rights practices. In addition, there is a desire to avoid alienating other countries in the Mideast. That said, strong U.S. support for both Chile and Israel has helped move their candidacies along. There is no country prepared to stand up on its own and say "no" to Israel, and this currently includes New Zealand and some of the EU member states that had earlier expressed human rights concerns.

14. (SBU) Nevertheless, given the sensitivity of Israeli membership, Mission believes it wise to continue voicing strong support for Israel at every opportunity in order to preclude any OECD Member from contemplating blocking Israel's candidacy for political or other reasons, e.g., human rights concerns, Arab state sensitivities, getting the "right package," etc. The latter is particularly relevant with respect to gauging the willingness of EU members to link or hold hostage the candidacies of either Chile or Israel to those of the eight non-OECD member EU countries (EU-8).

Russia

15. (SBU) When it comes to Russia, the U.S. has stood out as the principal obstacle to offering the Russians an accession track at this time. Support from France, Germany, Italy, the Nordic countries and Turkey has strengthened the SG's arguments that OECD membership will bolster reform elements in Russia and may provide the last chance to embrace Russia in the OECD's set of rules, best practices and standards. USOECD continues to question Russian like-mindedness in Council discussions, while other Members including Australia, Canada and the UK have also raised concerns.

That said, UK Ambassador Lyscom now seems ready to join France and other EU states in further opening the door to Russian membership. We are prepared to deploy the approach suggested in the Secretary's draft reply to FM Lavrov's letter requesting serious attention to Russia's long-standing membership aspirations, and request authorization to that effect prior to Council's next discussion on April 12.

EU-8

16. (SBU) The second challenge facing Members is how to treat the eight EU member states that are not members of the OECD. The SG's informal paper includes Estonia and Slovenia as candidates with which to open discussions "with a view to Membership," including preparing a "roadmap" setting out terms and conditions for the accession process of each. The Council remains divided between Europeans who are pushing to bring in as many EU member states as possible and the APEC countries, which have questioned the regional implications of such an approach. We understand that the current EU agreed position (taken at the March 28 COREPER) is to support Estonia and Slovenia joining in a first round of accession, followed by admission of at least one EU Member State in each subsequent round. For this reason, USOECD and other non-European Members are skeptical about language on enlargement that would legitimize "sequencing" for the EU-8. As reported in Ref A, the German Permrep (as EU President) has begun pushing for a quick decision that would lock in Estonia and Slovenia and language on sequencing.

17. COMMENT AND RFG: USOECD to this point has been skeptical regarding the EU-8 candidates, but has not categorically opposed consideration of these countries as candidates for accession, as have some APEC delegations. We believe, however, that obtaining EU consensus for the accession of both Chile and Israel may well entail agreement to have at least one EU Member State invited to begin accession negotiations, though this will not appease other APEC members. We also sense that getting the EU small- and mid-size countries to sign on to a revised financing scale that includes a minimum base fee (see para 11 below) may require offering membership to a second EU Member State. We believe that APEC pressure to resist new EU Members will tend to support our position on financing and recognize there may only be a limited trade-off with Israel for

EU candidates. Mission requests guidance with respect to EU-8 membership and the question of sequencing. END COMMENT AND RFG.

Emerging Consensus on Enhanced Engagement with BRICS

¶8. (SBU) The SG's informal paper embodies his desire and that of a number of Members to portray the OECD's relevance in terms of naming as many countries as possible as part of a Ministerial document. This is particularly true with respect to the number of candidates invited to begin accession negotiations. The Japanese Ambassador, for example, has stated that an enlargement package without Russia would be relatively "insignificant," and other Ambassadors have pointed to the need for a robust enlargement if the OECD is to remain relevant. From the Mission's point of view, the goal of the current enlargement and EE exercise should be to expand relations with those countries that play an increasingly significant role in the global economic arena. EE as it is being defined would provide a framework for broader, more intensive cooperation with the selected partners, designed to increase their policy convergence with OECD principles, encourage like-minded views on issues of common concern and increase their attractiveness as future potential OECD Members.

¶9. (SBU) Over the past several weeks, Ambassador Morella and her Canadian counterpart, Jocelyne Bourgon (who has just left post), have been consulting with a small group of colleagues on an alternative to the SG's informal paper. Ambassador Joan Boer (Netherlands), who chairs the External Relations Committee (ERC), has incorporated the group's ideas into a draft proposal that would

focus on conveying the OECD's commitment to reach out more globally through enlargement, enhanced engagement and outreach activities to increase its policy impact and influence. In this draft, the SG would be empowered to launch enhanced engagement discussions with each of the five BRICS (including Russia, whose special relationship would be recognized) and to open accession negotiations with the two countries -- Chile and Israel -- that have consensus support, and possibly two EU member states, still to be identified. Text treating the proposal to also invite the SG to open discussions with the EU Presidency and EU member states regarding how to develop closer relations and cooperation between with the OECD and the EU is bracketed. Finally, the proposal would empower the SG to explore ways to develop and deepen regional programs, in particular with respect to Southeast Asia (at Japanese insistence). Second-tier countries -- including Argentina, Egypt, Indonesia, Malaysia, Morocco and Thailand -- that are listed in the SG's informal paper would not be named in the alternative text.

¶10. (SBU) COMMENT: Given what we know about the current positions on enlargement, it is hard to imagine that an accession package limited to Chile and Israel could be agreed. For example, France and others will push hard to include Russia, and although divisions exist among EU delegations regarding how to treat the EU-8, there seems to be general EU support for starting accession negotiations with two (i.e., Estonia and Slovenia). As noted above, whether or not EU Members would be willing to publicly veto the candidacies of Chile and Israel if no EU countries are named remains to be seen. END COMMENT.

Financing Issues

¶11. (SBU) How to finance enlargement and EE, in whatever form it emerges as a final package, will be a key concern. Divisions remain between larger Members, which cover their recurring costs, and the small- and medium-sized countries, that don't and argue that the OECD (and enlargement) should be funded like any other multilateral organization; i.e., based on the principle of capacity to pay. The April 2 meeting of the Special Group on Financing made no progress, with delegations holding to well-known positions. It has become evident that Members are awaiting the composition of an enlargement package before agreeing to a new financing scheme, not only for enlargement for for the long-term sustainability of the

Organization. Mission's sense is that these countries accept the fact that they will have to increase their contributions, but they will want to see something in return. Again, as we have noted above, the willingness of these smaller, but still relatively affluent states (most of whom are EU members), may depend on how many EU members are offered an accession process. For the moment, the financing discussions remain stuck, and Danish Ambassador Smidt, Chair of the Special Group, will present to Council on April 12 the same basic proposal he gave them at its last discussion on March 20 (see Ref A).

MORELLA